

# Co-operative Option

Submission to

**Audit Review of Government  
Contracts**

**February 2000**

### Introduction

The Co-operative Federation of Victoria Ltd is pleased to respond to the Audit Review of Government Contracts.

There are three attachments to this submission:

- CFV Ltd Mission and Objectives
- ICA Statement on the Cooperative Identity
- CFV Ltd Members as at 30 June 1999

In brief, the submission argues that all governments are challenged by the need for sustainable development, that co-operatives are sustainable development organizations, that the issue of ownership is critical and that the restructuring of the energy industry has exemplified the exclusion of the co-operative option.

It is noted that the advertisement calling for submissions to the Audit Review of Government Contracts appeared in the Herald Sun on 12 February 2000 and that the closing date for submissions is 6 March 2000. It is not surprising, therefore, that the Audit Review has suggested that submissions should be kept as concise as possible. Conciseness is the only realistic option in the limited time period.

It is further noted that a final report is to be presented to the Government by 30 April 2000 but it is not noted whether there will be an Interim/Draft report and, therefore, a further opportunity for submissions.

The essence of this submission is to argue that in considering provider options for the provision essential services public policy debate and decision-making processes should engage the co-operative model as a option.

### Sustainable Development

The challenge for any government in considering the developmental needs of a State is how to achieve sustainable development – not only economic growth but equitable benefits, a regenerative environment and empowerment of individuals and their communities in the context of globalisation and its elements – liberalisation, privatisation, de-regulation and marketisation.

Co-operatives exist in a variety of sectors in Victoria at varying degrees of scale, development and impact e.g.

Arts and craft  
Bookshops  
Dairy production  
Education

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Energy  
Health  
Hospitality  
Publishing  
Retail stores  
Telecommunications  
Water

The basic values of co-operatives as expressed in the statement of co-operative values and principles are consistent with sustainable development. This consistency is recognised by the International Labor Office and the United Nations.

Co-operatives are ideal vehicles for sustainable development because they are both economic and social entities.

### Ownership Options

Over the last decade there has been a dramatic restructuring in the design, structure and delivery of essential services in Victoria e.g. in the provision of community services, education, electricity, health, gas and water.

The predominant characteristics of these changes has been either the corporatisation and/or privatisation of providers and services.

Corporatisation has involved continued public ownership with investor-based boards, management philosophy and practices. Up to 1982, for example, the State Electricity Commission of Victoria was corporatised by the Labor Government and subsequently privatised by the Coalition Government.

The overriding assumption of corporatisation and privatisation is the assumed economic efficiency of investor-ownership and/or control as a given over public ownership explicitly and co-operative ownership implicitly.

The Co-operative Federation of Victoria Ltd is actively involved in advocating the co-operative option and in recent years has, for example, made submissions on

GP practices  
Community Health Centres  
Community services  
Dental practices  
Primary health

There has been a common unwillingness in the public policy debate to recognise that co-operatives are a serious alternative model of social and economic development.

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The challenge of recognising the potential contribution of co-operatives is equally the responsibility of government and the co-operative movement. The importance of reviewing and strengthening this government and co-operative relationship has been recognised by the International Co-operative Alliance Regional Office for Asia and the Pacific which has organised five Asia-Pacific Co-operative Minister's Conferences in 1990, 1992, 1994, 1997 and 1999.

There is a clear legislative basis for co-operatives in Victoria which recognises their uniqueness. All co-operatives registered in Victoria are governed by the Co-operatives Act 1996. The Act received bipartisan support and is a model that is being adopted by other jurisdictions – State-based but nationally consistent legislative scheme with Core Consistent Provisions. Under the Co-operatives Act 1996 co-operatives are subject to strict standards of probity and accountability.

Australia's National Competition Policy has been endorsed by all Australian governments. Intrinsic to this policy is competitive neutrality – ensuring that no government business enjoys a net competitive advantage by virtue of its public sector ownership.

The National Competition Council has explained that: "The central idea underpinning competitive neutrality is that the competitiveness of an enterprise should not be improved or impaired by virtue of its ownership arrangements."

Competitive neutrality focuses on ensuring government policies and programs do not advantage government business and disadvantage private business. Competitive neutrality is equally applicable to co-operatives as a third sector – although the existence of this third sector is not explicitly recognised in competitive neutrality policy. It is equally important, therefore, that government competition policies and programs do not advantage private business and disadvantage co-operative business. Competitive neutrality policy should recognise the uniqueness of the co-operative option.

## Energy

The privatisation of Victoria's electric industry is a useful case study of how the co-operative option has been ignored in the restructuring public policy debate – equally by Labor and Coalition governments.

The debate about Victoria's electricity industry was about, and still is, whether the industry should have been privatised and the consequences of this privatisation. The proponents of "private" or "public" ownership have tended to debate in generalities and unsubstantiated claims and assume the innate superiority of their respective models of ownership.

The recent February 2000 power crisis in Victoria, which resulted in phased blackouts and electricity usage restrictions, has re-activated the same debate about public and

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private ownership and, in particular, the need for better legislation and regulation of the private utilities - reinforcing energy policy promises already made by the Labor Government before it was elected to office. Emerging out of the power crisis, key issues that need to be addressed are not only increased generation capacity but also distributed generation, renewable energy, net-metering and energy efficiency and co-operatives could critically contribute to the resolution of these issues.

**The co-operative organization of small consumers is equally necessary to appropriate legislation and regulation. This will enable small consumers to be directly represented and participate in the debate, develop the same options and opportunities as large consumers and correct the imbalance in resources and bargaining power in the competitive market.**

In brief, the fundamental basis for this exclusion of the co-operative option from the public policy debate on the restructuring of the energy industry is because the following basic policy questions were either not addressed or addressed inadequately:

- Who should determine the boundaries of restructuring?
- What will be the process for determining these boundaries?
- Who should determine the pace of restructuring?
- What will be the process for determining this pace?
- How should the electric industry be restructured?
- What is the purpose of this restructuring?
- How will various consumer classes benefit?
- How will competition be facilitated in a restructured industry?
- How should market power be addressed?
- How will demand-side management be integrated within the restructured industry?
- How will alternative energy sources be integrated within the restructured industry?

An informed and appropriate public policy debate would recognise electric co-operatives as a serious option in the restructuring of the industry. In both the USA and New Zealand, for example, the ownership of utilities is pluralistic. In the USA there are co-operative, private and public utilities – 912 co-operative utilities, 239 private utilities, 10 Federally-owned and 2,009 State and local government. In New Zealand there are about 30 distribution companies and the ownership structures range from private ownership to co-operative ownership to community trust and local government ownership.

The debate about consumer benefit was typically in generalities – about how consumers would or would not benefit. The debate tended to lack a practical community-tested dimension. The co-operative experience is practical and community-tested – demonstrating how individuals and their communities can meet their mutual needs through co-operation.

Even with the privatisation of the industry, there are still critical public policy debates currently in progress and continuing options for co-operatives to protect and benefit small consumers. The choice for government is whether to and what would enhance residential

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and small business ability to benefit from the competitive retail market. The creation of the market does not in itself ensure this benefit. As well as the issues arising out of the power crisis, important choices and decisions about consumer information and education, market structure, aggregation, consumer protection and low-income consumers could critically influence the possibility of benefit and the privatisation of the industry does not preclude consideration of these issues.

What is patently clear now is that the development of co-operatives is critical if small consumers are to achieve bargaining power in the restructured market and significantly influence the industry's development. There are inherent limitations to legislative and regulative solutions and through co-operatives small consumers can protect and advance their interests within the market. This is not instead of legislative and regulative protections. Nor will better legislation and regulation in itself ensure this benefit. These issues have been addressed in a series of publications by Federation member Co-operative Energy Ltd. These are listed in the references. If the basic policy questions had been addressed, and some still need to be revisited, it could be understood that the emergence of co-operatives is critical to facilitating competition, redressing market power and the effective development of energy efficiency and renewable energy.

While it cannot be guaranteed that an open policy debate will admit the co-operative option, it would create an opportunity for the option to be articulated and advocated. Ultimately, the co-operative option depends on the voluntary choice and commitment of members.

## Conclusion

**The public policy debate would be better served by inclusiveness instead of implicitly and/or explicitly excluding policy options. The public policy debate should be open and transparent process which clearly identifies issues for resolution, the policy options for responding to these issues and the strengths and weaknesses of each option with what benefits and costs for whom. The co-operative option is a proven model of economic and social success and this should be recognised in public policy debate.**

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- **Model Rules of a Non-Trading Co-operative No Shares**
- **Model Rules of a Trading Co-operative**

## **Mission and Objectives**

### **Mission**

To develop and promote the co-operative movement as a means of satisfying the economic and social needs of people.

### **Objectives**

Help members improve services to their members by providing information and advice.

Make representation to government on legislation and policies to facilitate the development of co-operatives.

Promote co-operatives to the public.

Facilitate and promote the formation of co-operatives.

Educate members and the community at large in co-operative principles and practices.

Facilitate co-operation between co-operatives.

# **ICA Statement on the Co-operative Identity**

## **Definition**

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

## **Values**

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

## **Principles**

The cooperative principles are guidelines by which cooperatives put their values into practice.

### **1st Principle: Voluntary and Open Membership**

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

### **2<sup>nd</sup> Principle: Democratic Member Control**

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.

### **3<sup>rd</sup> Principle: Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following

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purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

### **4<sup>th</sup> Principle: Autonomy and Independence**

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

### **5<sup>th</sup> Principle: Education, Training and Information**

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation.

### **6<sup>th</sup> Principle: Cooperation among Cooperatives**

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

### **7<sup>th</sup> Principle: Concern for Community**

Cooperatives work for the sustainable development of their communities through policies approved by their members.

## **Membership As at 30 June 1999**

Abalone Fisherman's Co-operative Ltd  
Architeam Co-operative Ltd  
Ballarat Chilcare Co-operative Ltd  
Ballarat Community Education Centre Co-operative Ltd  
Ballarat Taxis Co-operative Ltd  
Beaumaris Motor Yacht Squadron Co-operative Ltd  
Bonlac Foods Limited  
Cape Volny Co-operative Society Ltd  
Carlton Rental Housing Co-operative Ltd  
Central Highlands Co-operative Ltd  
Central Sires Co-operative Ltd  
Co-operative Development Services Ltd  
Co-operative Energy Ltd  
Co-operative Purchasing Services Ltd  
Cobden Artificial Breeders Co-operative Ltd  
Colac Herd Improvement Co-operative Ltd  
Commercial Egg Producers' Association Co-op Ltd  
Consolidated Herd Improvement Services Co-op Ltd  
Dandenong & District Aborigines Co-op Ltd  
Down To Earth (Victoria) Co-operative Ltd  
Emerald & District Co-operative Society Ltd  
Emu Farmers Co-operative Ltd  
Essendon Rental Housing Co-operative Ltd  
Euroa Co-operative Society Ltd  
Frankston Rental Housing Co-operative Ltd  
Geelong Radio Cabs Co-operative Ltd  
Genetics Australia Co-operative Society Ltd  
Gippsland Tip Truck Hiring Co-operative Ltd  
Green Lands Co-operative Ltd  
Herd Improvement Co-operative (Maffra) Ltd  
Hopetoun Community Hotel Co-op Society Ltd  
Hopetoun Courier Co-operative Ltd  
Keysborough Freedom Club Co-operative Ltd  
Lakes Entrance Fishermen's Co-operative Ltd  
Macalister Research Farm Co-operative Ltd  
Macaulay Community Credit Co-operative Ltd  
Mirboo North Newspaper Co-operative Ltd  
Monash University Co-operative Bookshop Ltd  
Moonee Creek Co-operative Ltd  
Moorabbin Rental Housing Co-operative Ltd

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Mt. Murrindal Co-operative Ltd  
Murray Goulburn Co-operative Co Ltd  
Muslim Community Co-operative (Australia) Ltd  
New Market Co-operative Ltd  
North East Victoria Forest Growers Co-operative Ltd  
Northcote Rental Housing Co-operative Ltd  
Northern Herd Development Co-operative Ltd  
Para Park Co-operative Game Reserve Ltd  
Primeat Co-operative Society Ltd  
Ruach Community Co-operative Ltd  
Rural Industries Co-operative Ltd  
San Remo Fisherman's Co-operative Society Ltd  
Skye Children's Co-operative Ltd  
South Barwon Rental Housing Co-operative Ltd  
South Kingsville Health Services Co-operative Ltd  
Southern Energy Co-operative Ltd  
St. Albans Community Centre Co-operative Ltd  
Sunshine/St. Albans Rental Housing Co-op Ltd  
Swinburne Bookshop Co-operative Ltd  
Terang & District Co-operative Society Ltd  
The Western Vic Dairy Research/Demonstration Farm Co-op Ltd  
Timboon Herd Improvement Co-operative Ltd  
Toora & District A.B. Co-operative Ltd  
Urban Camp Melb. Co-operative Ltd  
Victorian Producers' Co-operative Co. Ltd  
Warm Corners Co-operative Ltd  
Wathaurong Aboriginal Co-operative Ltd  
Waverley Trading Co-operative Ltd  
West Gippsland Herd Improvement Co-op Ltd  
Wholefoods Co-operative Ltd  
Wombat Co-operative Ltd  
YCW Co-operative Society Ltd